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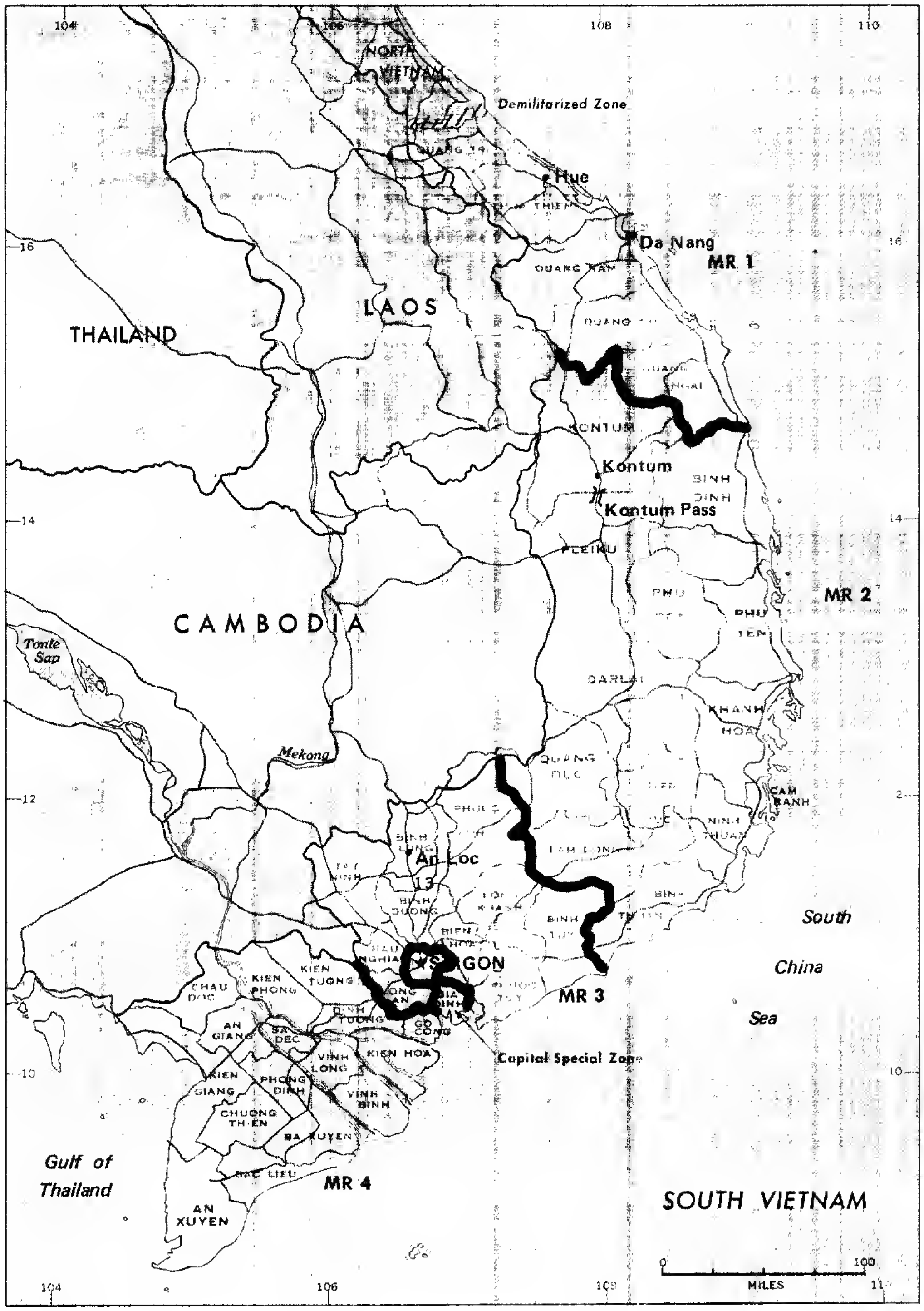
NORTH VIETNAM
Demilitarized Zone
Hue
Da Nang
MR 1
LAOS
THAILAND
KONTUM
Kontum
Kontum Pass
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CAMBODIA
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MR 4
AN XUYEN
Gulf of Thailand
SOUTH VIETNAM
0
100
MILES
104
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16
14
12
10

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VIETNAM: Military action remains generally light as both sides prepare for further fighting.

Skirmishing continues in Hau Nghia Province just west of Saigon, along Route 13 south of An Loc, and in the Kontum Pass in the highlands. Pressure against An Loc itself remains moderate, and government forces mopping up in Kontum City predict that the airfield there will soon be reopened.

There are persistent signs, however, that the enemy is trying to prepare a new round of strong attacks, particularly in the northern provinces. Agent reports have indicated for some time that the North Vietnamese would try to regain offensive momentum in the Hue area early this month. Elsewhere, there are signs the enemy is preparing additional attacks in the area around Da Nang and farther south in Binh Dinh Province.

* * * *

The Soviets used the anniversary of the founding of the Viet Cong's provisional revolutionary government in South Vietnam to affirm to Vietnamese Communist leaders that the USSR would continue to support North Vietnam. Pravda claimed on 6 June that Communist offensive operations had dealt a "heavy blow" to the US Vietnamization policy but focused primarily on the reasonableness of the Communist negotiating position. Pravda specifically singled out the Vietnamese demand for a three-part government of national concord, noting that it would "exactly meet" the political situation in South Vietnam. 25X1

<u>INTERNATIONAL OIL</u>: A series of meetings is scheduled to consider the impact of Iraq's recent nationalization measures.

Some oil-producing governments, although publicly supporting Iraq's nationalization of the Iraq Petroleum Company (IPC), indicate [redacted] their intent not to endanger their own oil policies or income. Kuwait and Saudi Arabia, in particular, are not likely to take any action in support of Iraq that would affect their own interests at the next meeting of the Organization of Petroleum Exporting Countries (OPEC), which is scheduled for Friday. This organization probably will be more moderate in its response than the Organization of Arab Petroleum Exporting Countries, which is scheduled to meet Sunday.

25X1 25X1

Baghdad has publicly offered oil from its nationalized fields at going prices. IPC's threat of legal action against consignees of the "hot" oil is likely to deter sales in major non-Communist markets.

The French Government is still grappling with the position it will take on Iraq's offer of special consideration to the partly state-owned CFP, one of the IPC partners. France is faced with the dilemma of choosing solidarity with its allies and other oil-consuming countries or accepting the offer as an opportunity to strengthen French political and economic influence in the Arab world. A council of ministers meeting today may yield the first indication of the government's policy. Iraqi strongman Saddam Tikriti probably will initiate discussions when he visits Paris next week. French officials will meet with British, US, and Dutch representatives in Paris Monday to discuss questions arising from IPC's nationalization. [redacted] 25X1

NOTES

JAPAN-UK: Tokyo will open trade talks with London in September. The decision, announced at a meeting of the British and Japanese trade ministers, comes in the wake of rapidly increasing Japanese sales to the UK market. During 1971, Japanese exports jumped 50 percent and have continued to increase sharply this year, while British sales to Japan rose only six percent last year. The British have been pressing Tokyo to restrain exports of such items as ball bearings, color television sets, and automobiles. London will also seek a removal of restrictions on the inflow of British goods and capital to Japan. The British are warning the Japanese, moreover, that unless Tokyo slows the growth of its exports, London, once it joins the EC, will take a tough line on EC trade policy toward Japan.

25X1

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GOLD: The free market price of gold in London shot up $2 yesterday to reach a record $61.50. Dwindling new supplies and continued speculation concerning the future official price of gold are behind this rise. Since the end of April, South Africa has withheld over four tons a week, about a quarter of estimated output, from the market to add to its own reserves. As a result of this and a substantial decline in output, Pretoria's weekly gold sales are less than two thirds of the weekly average in 1971. The free market price is not likely to subside to any significant extent until new gold supplies from either South Africa or the USSR expand or all governments, particularly Paris, conclusively reject the notion of a large official price increase.

25X1